

COST ANALYSIS MANUAL
EXECUTIVE SUMMARY



The Department of the Army Cost Analysis (CA) Manual provides basic frameworks of methodologies and procedures for implementing the policies on cost analysis. The specific goal of this manual is to help the cost analyst serve the customer. The document provides reference material on cost analysis processes, methods, techniques, structures, definitions, and accepted documentation standards. It also covers special analyses, review procedures, selected common cost analysis topics, and a structure for materiel systems composed of system-specific, appropriation-discrete, and time-sensitive cost elements.

This manual is the result of the combined efforts of the Program Executive Officers, the Major Commands, and the Headquarters, Department of the Army. The publication is a "living document", written to facilitate updating and expansion, as necessary. Following the Introduction, specific chapter topics are: Chapter 2 describes the interrelationship with the defense acquisition process; Planning, Programming and Budgeting System; and contracting process; Chapter 3 is an overview of the cost analysis process, including methods and techniques; Chapter 4 provides the basic framework of methodologies and procedures for implementing the cost analysis policies; Chapter 5 is an overview of special topics on materiel life-cycle costing; Chapter 6 describes the Army force cost mission for providing timely, quality cost estimates for all possible scenarios and/or any size of force structure. The Appendices address work breakdown structures, cost element structures and definitions for both materiel systems and forces, cost analysis techniques, cost estimating models, a financial analysis primer and the latest training offered by the Defense Acquisition University/Defense Business Management University and other schools.

We believe the CA manual is a valuable and useful aid in understanding and participating in the CA processes. Inquiries and comments should be directed to the Director, U.S. Army Cost and Economic Analysis Center, Attn: SFFM-CA-PA, 5611 Columbia Pike, Falls Church, Virginia, 22041-5050, phone (703) 681-3350 or DSN 761-3350.

ECONOMIC ANALYSIS MANUAL
EXECUTIVE SUMMARY

The Department of Army Economic Analysis (EA) Manual provides a basic framework for methodologies and procedures to implement policies for better EA. The specific goal of the manual is to help the EA preparer serve the customer. The manual is the result of the combined efforts of the Program Executive Officers, the Major Commands and the Headquarters Department of the Army. The publication should be considered a "living document", with additions or revised materiel being included as it is developed.

The manual provides detailed guidance for preparing an EA. It addresses EA terminology, the EA process and overall policy. Specific chapter topics following the introduction are as follows: Chapter 2 provides a basic definition of EA and the EA process. Each step in the process is explained in detail; Chapter 3 discusses general cost estimating methods, data collection and analysis and estimating considerations; Chapter 4 defines types of benefits, and shows methods of identifying, quantifying, and evaluating benefits; Chapter 5 identifies methods for comparing alternatives in an EA and developing economic indicators for a system or project; Chapter 6 describes techniques for the handling of sensitivity, risk and uncertainty; Chapter 7 discusses the proper methods for documenting an EA and provides a checklist for documentation; and Chapter 8 provides special guidance on preparation and approval of EAs for Automated Information Systems (AIS). There are a number of Appendices providing additional detail on the cost element structure and definitions for AIS, Capital Budget Investment Projects, discounting and a comprehensive example of an EA.

We believe this EA manual is a valuable and useful aid in understanding and participating in the EA process. Inquiries and comments should be directed to the Director, U.S. Army Cost and Economic Analysis Center, Attn: SFFM-CA-CC, 5611 Columbia Pike, Falls Church Virginia 22041-5050, phone (703) 681-9016 or DSN 761-9016.